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Order 2000-2-5



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 2nd day of February, 2000

Served: February 4, 2000

Essential Air Service at

HANA, HAWAII

under 49 U.S.C 41731 *et seq.*

Docket OST 99-6502 -4

ORDER SETTING FINAL RATE UNTIL FURTHER DEPARTMENT ACTION

SUMMARY

By this order we are setting a final annual rate for Pacific Wings' essential air service at Hana, Hawaii, until further Department action. The carrier is eligible for subsidy support on February 9, 2000, but it is unlikely that a final carrier selection order will be issued by that time because we are awaiting the community's response to the three service options presented in the carrier selection proceeding. Issuing this order will allow the carrier to be compensated for its forced service in the meantime.

DISCUSSION

On November 11, 1999, Pacific Wings filed a 90-day notice of its intention to suspend its subsidy-free service at Hana effective February 9, 2000. Pacific Wings provided two daily nonstop round trips in the Honolulu market and three daily nonstop round trips in the Kahului market with 8-seat Cessna 402 equipment, the level it had proposed to provide when it recently replaced Aloha Island Air's service. Order 99-12-23 prohibited Pacific Wings from suspending its subsidy-free service at Hana, effective February 9, 2000, and required it to provide 13 nonstop round trips a week to Honolulu and 19 nonstop round trips a week to Kahului.

Pacific Wings has agreed to an annual subsidy rate of \$574,500 at Hana for the service required in Order 99-12-23. We have also reached agreement with the carrier for two other options that we have recently presented to the community for their consideration. We are awaiting the community's response to those options. In the meantime, the carrier must be paid for its forced service while we conclude the carrier selection proceeding. We find that the proposed subsidy level of \$574,500 is reasonable and appropriate for the service levels Pacific Wings is providing.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department sets the final rate of compensation for Air Nevada, d/b/a Pacific Wings, for the provision of essential air service at Hana, Hawaii, as described in Appendix C, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling of \$5,276.18 at Honolulu and \$5,884.97 at Kahului and shall be determined by multiplying the subsidy-eligible flights completed each month between Hana and each hub by \$202.93; ¹

2. We direct Pacific Wings, to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order; and

3. The Department will serve copies of this order on the Mayors and Airport Managers of Hana, the Governor and Department of Transportation of the State of Hawaii, and Pacific Wings.

By:

A. Bradley Mims
Deputy Assistant Secretary for Aviation
and International Affairs

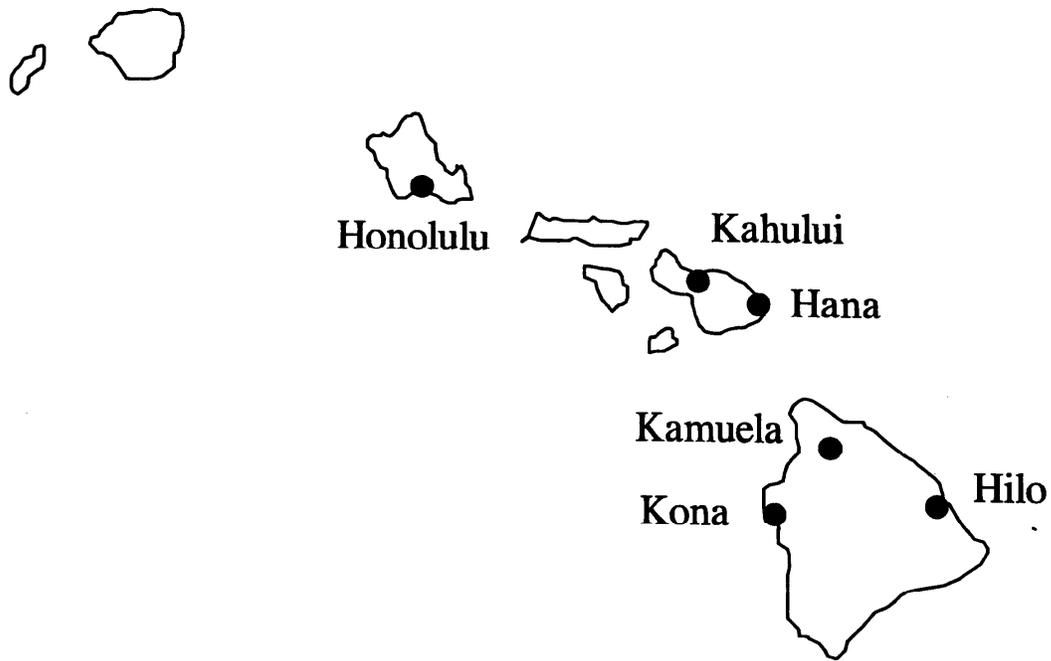
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*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*

The electronic version may not include all of the appendices

¹ See Appendix C. C-172 flights to Kahului would receive half the rate for C-402 flights shown above.

HAWAII



Mileages

Kamuela - Kona	33
Kamuela - Hilo	45
Kamuela - Honolulu	171
Kamuela - Kahului	78
Hana - Kahului	28
Hana - Honolulu	128

Pacific Wings, Essential Air Service to be Provided to Hana, Hawaii, Docket 99-6502

Service:	13 r.t./week to Honolulu & 19 r.t./week Kahului 1/	
Kahului @ \$33.58		\$130,559
Honolulu @ \$41.53		\$174,924
<u>Honolulu Cargo</u>		<u>\$48,000</u>
Total Revenue		\$353,483 2/
C-402 Hours		1,598 3/
C-172 Hours		417 3/
Crew @ \$52.70/Hr. & \$35.30/hr.		\$98,935
Fuel & Oil @ \$75.13 & \$17.55/hr.		\$127,376
Maintenance @ \$115.89 & \$36.15/hr.		\$200,267
Aircraft Ins. @ \$16.10 & \$10.11/hr.		\$29,944
<u>Lease/Depr. @ \$22.44 & \$11/hr.</u>		<u>\$40,446</u>
Total Directs		\$496,968
Hana Station		\$66,355
Kahului Station		\$14,187
Honolulu Station		\$21,188
<u>Admin. & Overhead</u>		<u>\$261,342</u>
Total Indirects		\$363,072
Operating		\$860,040
Return @ 5%		\$43,002
<u>Interest @ 2.9%</u>		<u>\$24,941</u>
Economic Cost		\$927,983
Annual Subsidy		\$574,500

1/ Although the subsidy calculation is based on ten C-402 and nine C-172 round trips a week to Kahului, Pacific Wings may substitute each aircraft for the other at Kahului, with each C-172 counted as half of a C-402 for payout purposes, up to the weekly ceiling.

2/ Kahului: $3,888 \times \$33.58 = \$130,559$

Honolulu: $4,212 \times \$41.53 = \$174,924$

Honolulu: UPS Contract, available only if two trips/day flown.

3/ Honolulu, C-402: $26 \text{ flt./week} \times 57 \text{ min./flt.} \times 52 \text{ weeks} \times .99 \text{ completion} = 1,272 \text{ hrs.}$

Kahului, C-402: $20 \text{ flts./week} \times 19 \text{ min./flt.} \times 52 \text{ weeks} \times .99 \text{ completion} = 326 \text{ hrs.}$

Kahului, C-172: $18 \text{ flts./week} \times 27 \text{ min./flt.} \times 52 \text{ weeks} \times .99 \text{ completion} = 417 \text{ hrs.}$

**PACIFIC WINGS AIR, INC., ESSENTIAL AIR SERVICE AT
HANA, HAWAII, DOCKET 99-6502**

EFFECTIVE PERIOD: February 9, 2000, until further Department action

SCHEDULED PASSENGER SERVICE: 13 nonstop round trips each week between Hana and Honolulu with Cessna 402 aircraft; and 19 nonstop round trips each week between Hana and Kahului with a mixture of Cessna 402 and Cessna 172 aircraft ¹.

AIRCRAFT TYPE, Seats Assigned: 8-seat Cessna 402 and 3-seat C-172 aircraft.

PILOTS: C-402, Two Pilots, C-172, One pilot.

TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ELIGIBLE FLIGHT: \$202.93 ²

	<u>Honolulu</u>	<u>Kahului</u>
<u>COMPENSATION CEILING EACH WEEK:</u>	\$5,276.18 ³	\$5,884.97 ⁴

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ For calculation of the subsidy in Appendix B we assumed there would be 26 flights to/from Honolulu with a Cessna 402, 20 flights to/from Kahului with a Cessna 402, and 18 flights to/from Kahului with a Cessna 172. However, at Kahului the carrier would be allowed to alter its mix of C-402 and C-172 flights. C-172s are assigned one-half the subsidy per flight of C-402 flights. The carrier would not be permitted to alter the mix of its service between Honolulu and Kahului.

² Annual compensation of \$574,500 divided by estimated annual completed flights at a 99 percent completion factor: (26 flts./week HNL + 29 flts./week OGG) = 55 flts./week x 52 weeks x .99 = 2,831
Note: For calculation purposes we have treated flights with a C-172 as one half of a C-402 flight.

³ Subsidy rate per flight of \$202.93 multiplied by 26 flights/week.

⁴ Subsidy rate per flight of \$202.93 multiplied by 29 flights/week.